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ABSTRACT

This brief paper suggests that state leaders create charter districts in which all or most schools are charter or contract schools. Such districts, according to the paper, would help policymakers create school systems that focus on student achievement and provide high-quality choices to students and parents. The paper examines why charter districts are an option for state leaders and details policies they can create to establish charter districts. It presents its case through nine policy questions: (1) Should the policy create new districts or convert existing districts to charter districts? (2) What should be the policy's goal? (3) Should the policy include an application process? (4) How should the policy define the responsibilities of local school boards, superintendents, and schools? (5) How should the policy address collective bargaining agreements? (6) How should the policy define the responsibilities of the state board of education, chief state school officer, and state department of education? (7) How should the policy address waivers of certain laws and regulations that may hinder effective operation of a charter district? (8) How should the policy address the accountability of a charter district? (9) How should the policy address the funding of a charter district? (WFA)

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State Policy Options for Creating Charter Districts.
The Nuts & Bolts of Charter Districts Series.

Todd Ziebarth

May 2003

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Education Commission States

The Nuts & Bolts of Charter Districts

State Policy Options
for Creating Charter Districts

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Introduction

No blueprint exists for how state and school district leaders can govern schools in ways that guarantee a high-quality education for each and every student. Still, it is possible – and necessary – to create systems that focus on student achievement, as well as locate the authority and responsibility in the most appropriate places to improve student achievement.

As state and school district leaders increasingly focus their attention on this imposing challenge, there are two emerging pressures that require them to think and act in new and bold ways. First, many parents in urban districts remain dissatisfied with public schools in their communities, and are demanding higher-quality choices for their children. This dissatisfaction, and subsequent demand for new opportunities, is particularly prevalent among young minority parents, who will be sending their children to urban schools in increasing numbers in the near future.

Second, the federal government, through the No Child Left Behind Act of 2001 (NCLB), also is demanding that students in low-performing schools have access to higher-quality choices. Complicating this requirement, though, is the fact that there will not be enough seats in higher-performing schools for the large numbers of students who will be eligible for them, especially in urban areas. In addition, suburban districts are unlikely to offer a substantial number of seats in their higher-performing schools to students from urban districts.

In light of these challenges and pressures, how can state policymakers create systems of schools that focus on student achievement, as well as provide higher-quality choices to students and parents? This paper suggests that state leaders create charter districts – also referred to as all-charter districts – in which all or most of the schools are charter or contract schools. It examines why charter districts are a viable option for state leaders and details policies that state leaders can create to establish charter districts.

Why Charter Districts?

Thirty-nine states and the District of Columbia have enacted laws that allow for the creation of charter schools. These schools are semi-autonomous public schools, founded by educators, parents, community groups or private organizations that operate under a written contract with a state, school district or other entity. This contract, or charter, details how the school will be organized and managed, what students will be taught and expected to achieve and how success will be measured. Many charter schools enjoy freedom from rules and regulations affecting other public schools, as long as they continue to meet the terms of their charters. They can be closed for failing to satisfy these terms.

In creating charter *districts*, state leaders apply principles of charter schools across an entire system of schools. Three key presumptions of charter districts are:

- Accountability for a school's performance should be in part top-down, with each school operating under a legally binding performance agreement, such as a charter or contract, with a school board or similar entity.
- Accountability for a school's performance also should be in part bottom-up, with each school operating as a school of choice, and money following a student to a school based on a family's choice.
- Each school should have authority to make critical decisions that affect the performance of its students.

In a charter district, school boards and superintendents (or another entity, such as a mayor's office or a public university) authorize, fund and oversee schools, but do not directly operate them. Instead, they enter into a legally binding performance agreement, such as a charter or a contract, with educators, parents, community groups or private organizations to operate schools.

As with charter schools, the legal performance agreements in a charter district detail, among other things, the performance goals that schools are expected to meet, as well as the consequences for failing to meet them. Such an agreement focuses the school on a particular mission, as well as a specific set of performance benchmarks. It also protects the school from school board members' and administrators' often-shifting demands on a wide variety of issues unrelated to a school's performance, but still ensures that school board members and administrators hold schools accountable for performance.

A charter district provides rewards for success and consequences for failure. School boards and superintendents may reward schools that work, and they also may withdraw funding from those that do not work by terminating the charter or contract. Within

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a charter district, there is a strong emphasis on getting all of a community's resources, both public and private, focused on the goal of educating children.

In addition, parents are allowed to enroll their child in any publicly funded school in a charter district. To maintain its student body and its funding, schools must provide a high-quality education to every child.

According to Paul Hill of the University of Washington, when it comes to improving the performance of schools, there is no substitute for thoughtful diagnosis and problem solving focused on the individual school.[2] Therefore, within a charter district, individuals and entities have considerable freedom to create and operate schools that respond to the beliefs, talents and needs of particular groups of children, parents and staff, limited only by applicable state and federal laws and the terms of their charter or contract. They have significant autonomy over key decisionmaking areas, such as budgets, personnel, curriculum and instruction, and schedules.

Types of Charter Districts

At present, states and school districts are creating charter districts in two ways. First, some states have created new charter districts, in which they allow entities other than traditional school districts to grant charters. One example is the District of Columbia Public Charter School Board.

Second, in some states, existing districts are converting all or part of the district to a charter district. Small to medium-size districts, such as the Twin Ridges Elementary School District in California, are converting all or most of their schools to charter or contract status, as well as creating new charter schools. In addition, though no large district has converted all its schools to charter status, some urban districts have launched efforts to grant charters or contracts to a significant number of new or converting schools – in effect, creating a charter district within a larger traditional district. Examples include the Philadelphia School District and the Chicago Public Schools. For a complete look at what is happening across the country, see *Charter Districts: The State of the Field* at http://www.ecs.org/clearinghouse/37/04/3704.htm.

State Policy Options for Creating Charter Districts

When considering policies to create charter districts, state leaders should address several questions. Each of these questions is explored below.

Key State Policy Questions for Creating Charter Districts

1. Should the policy create new charter districts or convert existing school districts to charter districts?
2. What should be the policy's goals?
3. Should the policy include an application process?
4. How should the policy define the responsibilities of local school boards, superintendents and schools?
5. How should the policy address collective-bargaining agreements?
6. How should the policy define the responsibilities of the state board of education, chief state school officer and state department of education?
7. How should the policy address waivers of certain laws, rules and regulations that may hinder effective operation of a charter district?
8. How should the policy address the accountability of a charter district?
9. How should the policy address the funding of a charter district?

Policy Question 1: Creating New Charter Districts vs. Converting Existing School Districts to Charter Districts

Creating New Charter Districts

There are a couple of reasons why states should consider creating new charter districts instead of converting existing school districts to charter districts. First, existing school districts – especially those that are struggling – are notoriously difficult to change. This characteristic is not unique to school districts, but applies to organizations of all kinds. By creating a new charter district, the state creates a fresh space in which good educational practices may develop without the constraints of existing routines, cultures and processes.

Second, creating a new charter district that overlaps in geography with an existing school district with a large number of low-performing schools puts into motion a competitive dynamic that provides incentives for the existing school district to improve. In fact, a state may create a new charter district as a complement to its efforts to raise achievement in the existing school district.

One example of a new charter district is the District of Columbia (D.C.) Public Charter School Board, cre-

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ated by Congress in 1995. The board issues charters to new and conversion charter schools in the District of Columbia. It is, in effect, a charter district functioning as a separate entity within the geographical boundaries of the District of Columbia Public Schools.

A number of variations exist in other parts of the country. Wisconsin has empowered three institutions beyond the Milwaukee Public Schools – the Milwaukee Common Council (the city's governing body), the University of Wisconsin-Milwaukee and the Milwaukee Area Technical College – to issue charters in the city of Milwaukee. Missouri has given chartering power to public universities within its two largest cities – Kansas City and St. Louis. On more of a regional basis, Indiana has given the mayor of Indianapolis the authority to issue charters within his 11-district jurisdiction.

Some states allow the state board of education to approve charters (e.g., Massachusetts). Other states have created new statewide charter issuing bodies (e.g., Arizona) or granted statewide chartering authority to existing institutions, such as universities or nonprofit organizations (e.g., Indiana, Michigan, Minnesota and New York). While not focused on specific districts, these statewide entities essentially create charter districts across an entire state.

Thus, when thinking about creating new charter districts, state leaders should consider the following options:

- Create a new charter district at a local level, perhaps overlapping in geography with an existing school district with a large number of low-performing schools.
- Create a new charter district at a regional level, perhaps overlapping in geography with several school districts, potentially with a specific mission to create higher-quality schools in communities with a large number of low-performing schools.
- Create a new charter district for the entire state, again potentially with a specific mission to create higher-quality schools in communities with a large number of low-performing schools.

Converting Existing School Districts to Charter Districts

In addition to, or instead of, creating new charter districts, states may want to allow, encourage or require the conversion of existing school districts to charter districts for a couple of reasons. First, an existing district may have many of the resources necessary for the provision of public education – staff, materials and buildings – already in place. Therefore, as people convert individual schools to charter status, they can primarily focus how such conversions will improve the teaching and learning experiences in the school district's classrooms – as opposed to focusing, for example, on finding buildings for the schools.

Second, in many school districts, there are a number of positive things already happening in the district's classrooms. A school district that decides to convert to a charter district can both solidify and build on these encouraging developments. It can codify them in legal performance agreements between the district and individual schools, ensuring school staff will be able to continue with their innovative approaches in areas such as curriculum, instruction or school schedules. And it can build on them by converting the low-performing schools in the district to charter schools, as well as by opening new charter schools in the district to serve struggling students.

When thinking about the conversion of existing school districts to charter districts, state leaders should consider the following options:

- Allow the conversion of existing school districts to charter districts
- Encourage the conversion of existing school districts to charter districts
- Require the conversion of existing school districts to charter districts.

Allow the Conversion of Existing School Districts to Charter Districts

If an existing school district wants to convert to a charter district, it may be able to make such a transition within the state's existing charter school laws. According to research, by ECS, several small and medium-size districts, such as the Twin Ridges Elementary School District in California, are converting all or most of their schools to charter or contract status, as well as creating new charter schools within the parameters of their state's charter school laws. In addition, though no large district has converted all its schools to charter status, some urban districts have launched efforts to grant charters or contracts to a significant number of new or converting schools – in effect, creating a charter district within a larger traditional district. Examples include the Philadelphia School District and the Chicago Public Schools. Again, these districts have acted within the parameters of their state's charter school laws.

If there are school districts in a state that want to become charter districts, however, but cannot do so because of restrictive or unclear state policy, creat-

ing a policy that allows existing districts to do so may be appropriate. When thinking about allowing districts to convert, state leaders should consider the following options:

- Allow any school district in the state to convert to a charter district.
- Allow only those school districts with a large number of low-performing schools to convert to a charter district, and require these districts to place a priority on the creation of higher-quality schools – either through converting existing schools or creating new schools (or both) – for students attending low-performing schools in the district.

Encourage the Conversion of Existing School Districts to Charter Districts

If state leaders are not only interested in allowing but also encouraging the conversion of existing school districts to charter districts, they should consider enacting legislation that provides incentives for existing school districts to make this transformation.

Converting to a charter district is very challenging for technical and political reasons. On the technical side, governing a charter district requires school district leaders and staff to take on a host of new roles. Carrying out these roles may require districts to hire new staff, increase the skills and knowledge of existing staff, and contract with other organizations to conduct certain activities. All this requires time, energy and money.

On the political side, converting to a charter district may not be universally supported in a school district. Certain constituencies may think their interests are better served under the traditional model of school governance, in which the school board, superintendent, central office staff and the employees' unions make most of the key decisions.

Faced with these technical and political hurdles, many school district leaders may conclude that the costs of converting to a charter district outweigh the benefits. If state policymakers want to tip the scales for these leaders, then, they will probably need to offer incentives. When thinking about creating incentives to encourage the conversion of existing school districts to charter districts, state leaders should consider the following options:

- Identify the specific laws, rules and regulations that will be waived, and then automatically waive them, and not force school districts and/or schools to request waivers on a case-by-case basis.
- Provide a start-up grant to an existing school district that converts to a charter district. As part of the application process, the state may require the school district to outline the specific areas where it needs financial assistance to make the transition, and the state may decide what and how much to fund. These grants may be one-time payments to the school district, or they may be grants extending over several years. The state may fund these grants with state revenues or with funds from the U.S. Department of Education's Public Charter Schools Program or the U.S. Department of Education's Voluntary Public School Choice Program.
- Provide a higher-than-average per-pupil payment to existing school districts that not only convert to charter districts but also primarily operate in low-income areas or primarily serve disadvantaged children.
- Provide the funding for all categorical programs in the school district in the form of one block grant.

Require the Conversion of Existing School Districts to Charter Districts

In a small number of cases, such as chronically low-performing school districts, state policymakers may require existing school districts to convert to charter districts.

For example, under legislation empowering it to intervene in struggling districts, Pennsylvania has taken over and directed two districts – the Chester Upland School District and the Philadelphia School District – to manage a significant number of schools via contracts with for-profit and nonprofit organizations. Chester Upland's state-appointed board of control has contracted with for-profit organizations to run nine schools. In addition, there are three charter schools in the district, and the district directly operates one school. Philadelphia's School Reform Commission has contracted with seven for-profit and nonprofit organizations to operate 45 schools in the district. On a separate but related track, the district also has authorized 43 charter schools.

Preferably, a state will implement such a conversion in partnership with school district and community leaders. If this is not the case, though, a state may have to take over the school district to convert it to a charter district. In such a takeover, the state may require state officials to appoint a board to run the district or it may require state and local officials to jointly appoint a board to run the district.

When thinking about requiring the conversion of an existing school district to a charter district, state leaders should consider the following options:

- Require the conversion of an existing school district to a charter district, in which the school district converts its existing schools to charter or contract schools and approves the creation of new schools. The priority would be on the creation of higher-quality schools – either through converting existing schools or creating new schools (or both) – for students attending low-performing schools in the district.
- Break up the existing school district into smaller districts, and require each newly created district to become a charter district. For the first part of this option, state leaders must determine the basis on which the state will organize the newly created school districts. For example, the state may organize them on the basis of geography or types of schools. The state also may require each school district to be no larger than a certain number of students.

In either of the above cases, the state also should consider applying some of the previously mentioned incentives to the charter district or districts. Such incentives may help reduce some of the resistance and hostility the state may face from the community. They also may assist in relieving concerns about the extra burdens of implementing state-imposed changes.

Policy Question 2: Goals

Whether state leaders are interested in creating new charter districts or in converting existing school districts to charter districts, they should first discuss the problems they hope to solve and the changes they hope to make by establishing charter districts. They also should discuss the teaching, organizational and governance strategies they hope to encourage in charter districts, especially those that cannot be implemented in a traditional school district.

As a result of these discussions, state policymakers should outline their goals for the policy, particularly regarding student achievement. When thinking about these goals, state leaders should consider the following options:

- Improve student achievement for all students
- Decrease the differences in student performance between higher-income and lower-income children, and between white and minority children
- Create governance systems that focus on student performance and that locate the authority and responsibility in the most appropriate places to improve student performance
- Concentrate school boards and superintendents on authorizing, funding and overseeing schools in a community, with a primary focus on student results
- Allow principals, teachers, parents and students to make important decisions that affect their school's performance
- Create high-quality schools in low-performing school districts
- Encourage partnerships between systems of schools and museums, public and private universities and colleges, social services agencies, nonprofit community-based organizations and businesses.

When creating a new charter district, as opposed to converting an existing school district to a charter district, an additional goal to consider is:

- Create competition for students and dollars between the new charter district and any surrounding existing districts, in the hopes of motivating all of them to continuously improve their performance to attract and retain students and dollars.

While state leaders in the charter school movement often have declined to codify this last goal in charter school laws, it often remains an underlying theme, usually reinforced by state policies on charter school funding. Whether state leaders explicitly address competition in their goals, or in other aspects of their policy, they should consider their intention regarding competition between charter districts and traditional school districts.

Policy Question 3: Application Process

A state may create a new charter district in a couple of ways. First, it may create particular entities to authorize and oversee charter schools, such as the D.C. Public Charter School Board or the Arizona State Board for Charter Schools. Second, it may create a process by which certain organizations and entities can apply to the state to become charter districts.

For existing school districts that want to convert to charter districts, a state may allow them to convert on their own, without the state's approval. Alternatively, a state may establish an application process to make such a conversion.

When thinking about an application process, state leaders should consider the following options:

- An application process may require an existing school district to submit to the state one application covering the conversion of the school district and its schools to the new status.
- Depending on a state's existing charter school policies, an application process may require an existing school district to submit to the state a separate application for each school (or subset of schools) within the district, as well as an overarching district proposal for the conversion to a charter district.

The state policy may allow an existing school district to convert its traditional schools to the new status through an incremental or an all-at-once approach. Whatever a school district's choice, the application process may require the school district to outline its preferred conversion process. Also, if the school district decides to use an incremental approach, the application process may require the school district to state the criteria for converting its schools to the new status, such as the level of school performance or the level of school interest.

The state policy may outline criteria by which a state will decide whether or not to approve an application for conversion. Such criteria may include the significance of the changes in roles and responsibilities of school boards, superintendents, central office staff, unions, principals and teachers, as well as the clarity in explaining how these changes will allow the school district to improve student performance. The application process also may require the school district to state certain performance benchmarks, as well as to show a certain level of support for the shift, such as requiring approval by the school board, a certain percentage of staff and/or a certain percentage of parents.

As part of this policy, state leaders should consider requiring either the state board of education or the chief state school officer to approve applications and enter into legal agreements with charter districts. This agreement may cover the performance goals of the charter district as a whole, as well as the responsibilities of the school board, superintendent and schools within the charter district.

Policy Question 4: Responsibilities of School Boards, Superintendents and Schools

When creating a new charter district, state leaders should consider establishing a board to oversee it, with members appointed by local and/or state officials. For example, the District of Columbia mayor, in consultation with the Council of the District of Columbia, appoints the seven members of the D.C. Public Charter School Board, from a list of 15 recommendations by the U.S. secretary of education.

State leaders also should consider requiring that certain areas of expertise be represented on the board. For example, the following areas of expertise must be represented on the D.C. Public Charter School Board:

- Research about and experience in student learning, quality teaching, and evaluation of and accountability in successful schools
- The operation of a financially sound enterprise, including leadership and management techniques, as well as the budgeting and accounting skills critical to the startup of a successful enterprise
- The educational, social and economic development needs of the District of Columbia.
- The needs and interests of students and parents in the District of Columbia, as well as methods of involving parents and other members of the community in individual schools.

Whether for a new or a conversion charter district, state leaders also should consider detailing the responsibilities of the board. When thinking about these responsibilities, state leaders should consider the following options:

- Authorize the operation of new schools, and enter into a charter or contract with each school's operator, which details the basic agreement about the school's mission, performance goals, pedagogy, target population, governance structure and funding, among other areas
- Authorize the operation of conversion schools from any surrounding existing school districts and the private and parochial school sectors, and enter into a charter or contract with each school's operator
- Monitor the performance of each of the authorized schools, in relation to how each school meets the terms of its charter or contract, particularly in relation to academics and finances; if a school fails to meet the terms of its charter or contract, terminate the school's charter or contract
- Produce and widely disseminate to the community an annual report that provides information on the performance of each authorized school, particularly in relation to academics and finances, and give special attention to distributing this report in a variety of ways to parents in low-performing schools.

If a state already has a charter school law, state leaders should consider applying relevant portions of the charter school law to the board, such as the process for approving or denying applications to operate new and conversion schools, the process for student admission, enrollment and withdrawal, and the process for terminating an existing charter.

State leaders also should consider requiring a new charter district's board to hire an executive director and allowing a new charter district's board to authorize the executive director to hire additional staff as necessary. Whether for a new or a conversion charter district, though, state leaders also should consider detailing the responsibilities of the executive director or superintendent in policy. When thinking about these responsibilities, state leaders should consider the following options:

- Negotiate the terms of the charters with each of the schools and monitor the performance of each school in relation to these terms
- Provide services to schools on request, particularly in areas that may be inappropriate for individual schools to shoulder on their own, such as special education, civil rights, and various administrative and management functions
- Provide timely, accurate and reliable information about the performance of the schools to the board and the community
- Facilitate the creation of partnerships with public and private organizations to enhance the provision of public education in a community.

State leaders also should consider outlining the responsibilities of schools in a charter district. When thinking about a school's responsibilities, state leaders should consider the following options:

- Define its mission
- Outline its performance goals
- Choose its curriculum and instructional program
- Schedule its use of time
- Create and manage its budget
- Hire and evaluate principals, teachers and other school staff, as well as negotiate their pay, benefits and responsibilities.

Policy Question 5: Collective-Bargaining Agreements

Given the significant influence of collective-bargaining agreements over the day-to-day decisionmaking in many school districts and schools, state leaders should consider addressing such agreements in their charter district policy.

For new charter districts, state leaders should consider the following options:

- The new charter district is not bound by current collective-bargaining agreements in any surrounding existing school districts.
- Initially, the new charter district is not bound by current collective-bargaining agreements in any surrounding existing school districts. After a period of time, however, individual schools may choose to collectively bargain with the board and superintendent.

For conversion charter districts, preferably both the school district and the employee unions' leadership will see the value in becoming a charter district, and be able to work together toward this goal. In fact, such a partnership is occurring between the school district and the teachers' union leadership in the Barnstable Public Schools in Massachusetts. If such a partnership does not emerge, however, state leaders should consider the following options:

- Amend the parameters of collective-bargaining agreements for charter districts in ways that allow individual schools to exercise the necessary autonomy over their operations. This may involve considerably relaxing the work rules in collective-bargaining agreements that affect all schools, while still covering salaries and benefits, perhaps by establishing minimum salary and benefit levels.
- On a school-by-school basis, allow individual schools to choose to collectively bargain with the board and superintendent.

Policy Question 6: Responsibilities of the State Board of Education, the Chief State School Officer and the State Department of Education

As states create policies for establishing new charter districts or converting existing school districts to charter districts, they create new roles for state boards of education, chief state school officers and state departments of education.

For new charter districts, in addition to potentially requiring either the state board of education or the chief state school officer to enter into a legal agreement with a new charter district's board, state leaders also should consider creating additional responsibilities for state department of education staff such as monitoring and, as appropriate, intervening in new charter districts, which also may be included in the legal agreement between the state and the new charter district.

For conversion charter districts, in addition to possibly requiring either the state board of education or the chief state school officer to approve a school district's application and enter into a legal agreement with a school district, state leaders should consider creating additional responsibilities for state department of education staff, such as working with school districts in preparing their applications and then monitoring and, as appropriate, intervening in conversion charter districts.

For either new or conversion charter districts, if a state has already established a charter school office in the state department of education, state leaders should consider adding the new responsibilities for the state department of education to the staff in this office. If a state has not established such an office, it may create one to oversee charter districts, perhaps as well as charter schools.

Policy Question 7: Waivers of Certain Laws, Rules and Regulations

As states create policies for new and/or conversion charter districts, state leaders should consider allowing waivers of certain laws, rules and regulations that may hinder the effective operation of a charter district, particularly the school boards, superintendents, central office staff, principals and teachers operating in such a district. When thinking about waivers, state leaders should consider the following options:

- Identify specific laws, rules and regulations that will be waived, and automatically waive them
- Identify the specific laws, rules and regulations that will not be waived, and automatically waive the rest
- Identify the specific laws, rules and regulations that will not be waived, and then, if there is an application process, require applicants to request the specific ones they want waived. The state policy may also require the chief state school officer or the state board of education, to decide whether to grant each requested waiver. In considering waivers in the application process, the state should ensure the selection of waivers is driven by the charter district's goals. It should also encourage charter districts to consider requesting waivers for "non-education" rules, such as those relating to zoning. The state may then include these waivers in the legal agreement with the charter district.

When state leaders think about waivers for charter districts, it is important for them to remember the key trade-off between autonomy and accountability that is fundamental to charter schools as well as charter districts. With this in mind, they need to walk a fine line between overregulating these schools and districts by failing to provide them enough autonomy, and underregulating them by providing too much autonomy.

Policy Question 8: Accountability of Charter Districts

Whether in a new or conversion charter district, a charter district's board (or similar entity) holds each school accountable for student performance, as outlined in the legal performance agreement between the board and each school. Meanwhile, the state holds charter districts accountable for fulfilling its new roles (such as authorizing, funding and monitoring schools), primarily as demonstrated through improved student performance in the charter district.

Holding a charter district accountable in this way is a novel approach for states. When thinking about it, state leaders should consider the following options:

- State leaders may take a less formal approach, and simply monitor the performance data of charter districts and, if the performance becomes troublesome, intervene as appropriate.
- State leaders may take a more formal approach by requiring either the state board of education or the chief state school officer to enter into a legal performance agreement for a certain period of time, such as three years, with a charter district. The state policy may also detail the reasons for potential revocation of the agreement, as well as the process for revoking the agreement, including guidelines for what happens to a charter district upon revocation.

In either case, states will have to act within the emerging accountability requirements of the No Child Left Behind Act of 2001.

Policy Question 9: Funding of Charter Districts

How Can We Fund Charter Districts? by John Augenblick and Jennifer Sharp, another paper in *The Nuts & Bolts of Charter Districts* series, details options for how states should fund charter districts. This paper, therefore, is limited to highlighting the main points of the four most significant charter dis-

trict funding issues examined in Augenblick and Sharp's paper.

First, states should carefully calculate the needs of all school districts – charter districts and regular districts – and use that information as the basis for distributing operating support to all school districts in the state.

Second, once the needs of districts are known, state aid should, in most cases, be "equalized" so that the wealth of districts is taken into consideration. For two districts with equal needs, more state aid would be allocated to the district with lower wealth.

Third, states should require conversion charter districts to make a contribution of local taxes to their schools at the same level as regular districts based on a state-required local tax rate or the relative wealth of the district. States also should subject conversion charter districts to the same requirements that apply to traditional districts in terms of their ability to generate tax revenues above a required level.

On the issue of local taxes, a new charter district poses a particular problem that must be addressed since such a district has no "wealth" (in terms of property or income) that can be tapped to pay for the district's needs. Under such circumstances, there are two choices: (1) the state may require local funds provided in each regular district in which a charter school is located to flow to the charter district of which the school is a part or (2) the state may pay the full cost of the charter district without expecting any local contribution.

Finally, states should provide funds for capital purposes. Whatever procedure is used to support capital outlay and debt-service expenditures in regular districts should apply to charter districts as well. For example, states should allow conversion charter districts to generate local funds through the usual bonding procedures or other mechanisms that rely on the tax-based revenue raising capacity of the district (assuming that charter districts are governed in the same way as regular districts).

For new charter districts, the state should provide capital support in the same way that it allocates support for a regular district, based on an amount per student, a proportion of annualized cost or a loan. A problem arises with the local share of capital costs in a new charter district, though, since the new charter district has no property value and it makes little sense to expect the regular district in which a charter school is located to pay for construction costs associated with a building overseen by an out-of-district entity. In this case, the state may institute a statewide property tax for charter school construction, at least for charter schools that are part of new charter districts. The tax rate needs to be set in such a way as to collect a specified amount of revenue, which should be determined by a statewide commission or a subcommittee of a statewide school construction commission if the state already has such an entity.

Conclusion

Especially in light of the No Child Left Behind Act's requirements, there is significant pressure for state and school district leaders to govern in a way that both focuses on student performance and provides an array of options to meet the differing needs of their diverse student bodies. This pressure, in combination with the convergence of parental and federal demands for higher-quality choices for students in low-performing schools, creates a considerable opportunity for state policymakers to act – especially given their constitutional responsibility to provide a public education to their state's children.

To seize this opportunity, state leaders should consider establishing charter districts – either by creating new charter districts or allowing, encouraging or requiring existing school districts to convert to charter districts. A charter district – with its emphasis on creating schools focused on results and held accountable through legal performance agreements as well as parental choices, and with the authority to make critical decisions that affect the performance of its students – may prove to be a valuable approach to pushing the nation further down the path to providing a high-quality education to each and every child.

Endnotes

[1] Much of this section's description of a charter district is based on National Commission on Governing America's Schools, *Governing America's Schools: Changing the Rules*, Denver, CO: Education Commission of the States, 1999.

[2] Paul Hill, *School Boards: Focus on School Performance, Not Money and Patronage*, Washington, DC: Progressive Policy Institute, 2003.

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